

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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R 121100Z OCT 76
FM AMCONSUL SALVADOR
TO SECSTATE WASHDC 0275
USDOC WASHDC
INFO AMCONSUL RIO DE JANEIRO
AMEMBASSY BRASILIA

UNCLAS SALVADOR 0080

STATE FOR EB/CSB/OCA AND ARA/BR

COMMERCE FOR BIC/OED/MEPD

E.O. 11652: N/A

TAGS: CLN BENS EAIR BR

SUBJECT: BOEING DROPS OUT OF COMPETITION FOR LIGHT RAIL VEHICLE
(LRV) PROJECT.

REF: A) SALVADOR TELEGRAM 0072, SEPTEMBER 17, 1976
B) SALVADOR TELEGRAM 0064, AUGUST 19, 1976

1. SUMMARY: BOEING HAS DECIDED TO DROP OUT FOR COMPETITION FOR LIGHT RAIL VEHICLE (LRV) PROJECT FOR SALVADOR AND RIO AND WILL INFORM BAHIA STATE SECRETARY OF TRANSPORTATION OF THIS DECISION ON OCTOBER 13. REASONS FOR THIS DECISION (DESCRIBED THIS MESSAGE) INCLUDE POSSIBLE DELAY OF PROJECT DUE TO BRAZILIAN CONCERN OVER INFLATION AND CONSEQUENT EFFORT TO CUT BACK STATE GOVERNMENT EXPENDITURES. END SUMMARY.

2. BOEING HAS DECIDED TO DROP OUT OF THE COMPETITION, AT LEAST FOR THE PRESENT, FOR THE SALVADOR AND RIO LRV SYSTEMS. MR. DUVIVIER OF BOEING-VERTOL TELEPHONED THE CONSULATE ON OCTOBER 6 TO DELIVER NEWS OF THE DECISION. HE SAID DECISION WAS BASED ON AN ANALYSIS OF WORLD-WIDE COMMITMENTS OF THE BOEING COMPANY AND THE UNCERTAINTIES OF THE BRAZILIAN SITUATION. HE SAID THE DECISION WAS MADE AT HEADQUARTERS IN SEATLA AND HE AND HIS GROUP

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AT BOEING-VERTOL (PHILADELPHIA) ARE DISAPPOINTED BECAUSE THEY

THOUGHT BOEING WAS AHEAD IN THE COMPETITION. UNCERTAINTIES INCLUDED

(1) AMOUNT OF TECHNICAL ASSISTANCE BOEING-VERTOL WOULD HAVE TO PROVIDE AT A LATER DATE WHEN LRV WOULD BE MANUFACTURED HERE AND THE EFFECT OF THIS ON PROFITABILITY AND

(2) POSSIBLE DELAYS BY RIO AND SALVADOR IN IMPLEMENTATION OF LVR FOR ECONOMY REASONS.

3. CONCERNING THE LATTER POINT, IN A MEETING WITH BAHIA STATE SECRETARY OF FINANCE ON OCTOBER 1 TO DISCUSS THIS AND OTHER ISSUES, CONSUL WAS TOLD THAT RECENT MINISTRY OF FINANCE PRESSURE ON STATES TO REDUCE EXPENDITURES COULD, IN THE CASE OF BAHIA, LEAD TO POSTPONING OF SOME PROJECTES IN THE TRANSPORTATION FIELD. BAHIA HAD AN 11 PERCENT DEFICIT LAST YEAR. ECONOMY MEASURES WOULD NOT AFFECT AREAS WHERE MAJOR COMMITMENTES ALREADY UNDERTAKEN AS, FOR EXAMPLE, THE PETROCHEMICAL COMPLEX AT CAMACARI, BUT COULD AFFECT PROJECTES NOT YET BEGUN SUCH AS NEW ROADS, ELECTRIFICATION OF INTERIOR TOWNS, AND LVR RAILROAD LOOP.

4. CONSUL HAS SET UP APPOINTMENT FOR MR. DUVIVIER OF BOEING-VERTOL WITH BAHIA STATE SECRETARY OF TRANSPORTATION DR. FIGUEREDO FOR OCTOBER 13 AT WHICH TIME MR. DUVIVIER WILL INFORM DR. FIGUEREDO OF BOEING'S DECISION TO BOW OUT NOW.

5. IF PROJECT IS DELAYED AND BEGUN AGAIN AT A LATER DATE, MR. DUVIVIER SAID BOEING MIGHT THEN REENTER COMPETITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RAIL TRANSPORTATION, PASSENGER TRANSPORTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 12 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SALVAD00080
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760383-0425
From: SALVADOR, BRAZIL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761060/aaaacalv.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 SALVADOR, BRAZIL 72
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 05 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 AUG 2004 by schaeafaj>; APPROVED <10 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BOEING DROPS OUT OF COMPETITION FOR LIGHT RAIL VEHICLE (LRV) PROJECT.
TAGS: ETRN, BENC, EAIR, BR, BOEING
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006